Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
Phase II Support for Price Cap Carriers Serving Non-Contiguous Areas	))	DA 13-162

REPLY COMMENTS OF HAWAIIAN TELCOM, INC.

Hawaiian Telcom, Inc. ("HTI") hereby submits its reply comments in the above-captioned proceeding.[1] Price cap carriers operating in the non-contiguous areas of the United States all supported the Commission's mandate to the Wireline Competition Bureau ("Bureau") to ensure that Connect America Fund ("CAF") Phase II support take into account the special considerations applicable in these areas of the country.[2] For HTI in the State of Hawaii, the Bureau's current version of the Connect America Cost Model ("CACM") does not comply with this mandate. Prompt action to provide sufficient support to price cap carriers operating in non-contiguous areas is necessary to achieve Section 254's universal service mandate and the Commission's broadband deployment goals.

Price cap carriers serving non-contiguous areas documented that they experience unique and significant cost differences because of their isolated and distant locations from the U.S.

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1 Public Notice, *Wireline Competition Bureau Seeks Comments on Connect America Fund Phase II Support for Price Cap Areas Outside of the Contiguous United States*, WC Docket No. 10-90, DA 13-162 (rel. Feb. 8, 2013).

2 *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶ 193 (2011), *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir., filed Dec. 18, 2011) ("*USF-ICC Transformation Order*").

mainland.[3] They argue that the Commission has yet to achieve Section 254's mandate to ensure that telecommunications and advanced services are affordable and available to insular and high cost areas in the same manner as in urban areas. All encourage the Commission to take immediate steps to ensure that sufficient support flows to these areas, prior to finalizing the CACM by either incorporating these special considerations within the CACM itself or in a separate cost model for such areas.[4]

Both Alaska Communications Systems, Inc. ("ACS") and HTI demonstrated that their territories in particular lag behind other areas of the country in their ability to deliver broadband to subscribers at the 4/1 Mbps standard set by the Commission in the *USF-ICC Transformation Order*.[5] In order to bring non-contiguous price cap territories more in line with other areas of the country, ACS has proposed that the Commission set-aside $127 million in CAF II support for non-contiguous area price cap companies and divide it equitably among them based on cost characteristics that are designed to address the broadband needs of consumers in these price-cap-carrier-served areas.[6] HTI fully supports this proposal. The non-contiguous area set-aside is necessary in order to increase support, particularly to ACS and HTI, to correct past shortfalls provided to these companies under previous mechanisms. PRTC and Vitelco maintain that it is also necessary to preserve existing support to other non-contiguous area price cap companies that

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3 Comments of Alaska Communications Systems, WC Docket No. 10-90, 4 (filed Mar. 11, 2013) ("ACS Comments"); Comments of Puerto Rico Telephone Company, Inc., WC Docket No. 10-90, 3-5 (filed Mar. 11, 2013) ("PRTC Comments"); Comments of Virgin Islands Telephone Corporation d/b/a/ Innovative Telephone Regarding Connect America Phase II Support for Price Cap Areas Outside of the Contiguous United States, WC Docket No. 10-90, 4-7 (filed Mar. 11, 2013) ("Vitelco Comments").

4 ACS Comments at 14-18; PRTC Comments at 2-3; Vitelco Comments at 7-11.

5 Comments of Hawaiian Telcom, Inc., WC Docket No. 10-90, 2-5 (filed Mar. 11, 2013); ACS Comments at 2.

6 ACS Comments at 3-7.

are receiving sufficient support, but which will not under the CACM.[7] Until the Commission adopts and provides support pursuant to this set-aside, however, the Commission should finalize and provide support pursuant to the CACM in order that HTI receive the support the CACM would allocate to HTI because it is more than it currently receives under the pre-existing mechanism.

As the Commission determined in the *USF-ICC Transformation Order*, CAF II funds should be targeted to specific rural and high cost areas of price cap carriers.[8] CAF II funding in this manner is necessary to rectify the inadequate funding provided under the previous mechanism.[9] Therefore, the Commission should reject attempts by other carriers to siphon off portions of CAF II for their own purposes.[10] Instead, the Commission should provide any required support to Sandwich Isles Communications, Inc. ("SIC"), a small rate-of-return carrier

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7 *See, e.g.,* PRTC Comments at 7-10; Vitelco Comments at 15. Proposals to continue to provide frozen USF support based on past awarded support pending final resolution of the cost model issues is not a satisfactory resolution for HTI since it does not now receive any high cost model support due to the inappropriate state-wide averaging that exists in today's model.

8 *USF-ICC Transformation Order*, ¶¶ 166-78.

9 The Commission has found that 70 percent of high cost areas are located in price cap territories and do not receive targeted support to enable service equivalent to that available in urban areas. Federal Communications Commission, Connecting America: The National Broadband Plan, GN Docket No. 09-51, at 141 (rel. Mar. 16, 2010). *See also USF-ICC Transformation Orde*r, ¶ 127.

10 *See, e.g.,* Comments of Sandwich Isles Communications, Inc., WC Docket No. 10-90, at 3-4 (filed Mar. 11, 2013). Although SIC seeks such redistribution in part because certain price cap carriers did not accept CAF I support, this argument does not apply to HTI, which accepted CAF I support even though such support was wholly inadequate to meet broadband goals. Letter from Steven P. Golden, HTI, to Marlene H. Dortch, FCC, WC Docket No. 10-90 (filed Jul. 23, 2012). SIC provides no justification or need to support its request to siphon off portions of another fund given the other alternative USF sources available to it. *See* note 11 *infra*. Likewise, the Commission should reject GCI's attempt to take from Alaska price cap carriers funding the Commission has already determined to be in the public interest. *See* Comments of General Communication, Inc. on the Public Notice Regarding Non-Contiguous Areas under CAF Phase II, WC Docket No. 10-90, 5-7 (filed Mar. 11, 2013).

operating in limited locations in Hawaii through existing mechanisms designed for rate-of-return carriers.[11]

Notwithstanding the encouraging sign of progress that this proceeding represents, HTI is concerned that the Bureau's efforts to promote broadband availability in non-contiguous areas served by price cap carriers will be delayed, particularly since the CACM itself (without non-contiguous area accommodation) has not been delivered as announced by the end of 2012. The Commission must bring these non-contiguous area cost issues to a successful conclusion promptly. An increase in funding for non-contiguous price cap areas as proposed to $127 million would bring near-term advances in broadband availability in non-contiguous areas, thereby furthering the Commission's Section 254 sufficiency mandate and its broadband deployment goals.

Respectfully submitted,

By: *__/s/ Gregory J. Vogt__*

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[11] *USF-ICC Transformation Order,* ¶¶ 194, *et seq*. HTI notes that SIC already has filed a waiver with the Commission requesting that it receive USF support in the same amounts it currently receives. Sandwich Isles Communications, Inc. Petition for Waiver of 47 C.F.R. 54.302, WC Docket No. 10-90 (filed Dec. 30, 2011). SIC should focus its efforts on existing mechanisms rather than seeking even more funds that the Commission has already allocated to other uses.